

VILLAGE OF LAURIUM, MICHIGAN

FINANCIAL REPORT

Year ended February 29, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Laurium	County Houghton
Audit Date 2/29/04	Opinion Date 8/13/04	Date Accountant Report Submitted to State: 8/27/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) John I. Jukuri, CPA			
Street Address 56730 Calumet Avenue, Suite J		City Calumet	State MI
Accountant Signature <i>John I. Jukuri CPA</i>		ZIP 49913	Date 8/27/04

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	3
General Purpose Financial Statements:	
Exhibit A - Combined Balance Sheet - All Fund Types and Account Groups	5
Exhibit B - Combined Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Fund Types	6
Exhibit C - Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Expendable Trust Fund	7
Exhibit D - Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds	8
Exhibit E - Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balances - All Proprietary Fund Types and Similar Trust Funds	11
Exhibit F - Combined Statement of Cash Flows - All Proprietary Fund Types and Similar Trust Funds	13
Notes to Financial Statements	14
Supplementary Financial Information:	
Combining Financial Statements:	
Combining Balance Sheet - All Special Revenue Funds	27
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Funds	28
Combining Balance Sheet - All Enterprise Funds	29
Combining Statement of Revenues, Expenses and Changes in Retained Earnings - All Enterprise Funds	30
Combining Statement of Cash Flows - All Enterprise Funds	31
Combining Balance Sheet - All Trust and Agency Funds	32
Federal Program:	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	34

JOHN I. JUKURI
CERTIFIED PUBLIC ACCOUNTANT
56730 Calumet Avenue, Suite J
Calumet, Michigan 49913
Tel. (906) 337-0662
Fax (906) 337-2587

INDEPENDENT AUDITOR'S REPORT

To the Village Council
Village of Laurium, Michigan

I have audited the accompanying general purpose financial statements of the Village of Laurium, Michigan as of and for the year ended February 29, 2004. These general purpose financial statements are the responsibility of the Village's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

The procedures used to collect cash receipts from sales and admissions at fund raising events, and the lack of evidential matter with respect to those cash receipts, do not permit me to apply auditing procedures to satisfy myself as to the reasonableness of such cash receipts stated in the accompanying financial statements.

The general purpose financial statements referred to above do not include the General Fixed Assets Account Group and all of the fixed assets and related depreciation of the Water Fund (an enterprise fund) which should be included in order to conform with accounting principles generally accepted in the United States of America. The corresponding amounts that should be recorded are not known.

In my opinion, except for the effects on the financial statements of (1) such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence regarding cash receipts described in paragraph three above, and (2) the omissions described in the preceding paragraph, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Laurium, Michigan as of February 29, 2004, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2004, on our consideration of the Village of Laurium, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and

grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

My audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supplementary in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Village of Laurium, Michigan. The supplementary information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.


John I. Jukuri, CPA

Calumet, Michigan
August 13, 2004

VILLAGE OF LAURIUM, MICHIGAN

EXHIBIT A

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

February 29, 2004

	<u>GOVERNMENTAL FUND TYPES</u>			<u>PROPRIETARY FUND TYPE</u>	<u>FIDUCIARY FUND TYPE</u>	<u>ACCOUNT GROUPS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>ENTERPRISE</u>	<u>TRUST FUNDS</u>	<u>GENERAL LONG- TERM DEBT</u>	
ASSETS							
Cash	\$ 243,830	\$ 413,746	\$ 320	\$ 209,914	\$ 315,696	\$	\$ 1,183,506
Investments					115,568		115,568
Receivables (net):							
Current tax levy	18,735	11,012		4,550			34,297
Delinquent taxes	2,087	1,074		445			3,606
Accounts	6,244			26,953			33,197
Interest	37	257		96			530
Due from state	55,440	145,978			140		201,418
Due from other funds	25,546	22,722		678			48,946
Prepaid expense	10,124						10,124
Advance to other fund							4,967
Inventory		2,882			4,967		4,967
Fixed assets (net)				1,916			4,798
Amount available in debt service fund				404,379			404,379
Amount to be provided for debt service						320	320
						<u>245,539</u>	<u>245,539</u>
TOTAL ASSETS	<u>\$ 362,043</u>	<u>\$ 597,671</u>	<u>\$ 320</u>	<u>\$ 648,931</u>	<u>\$ 436,371</u>	<u>\$ 245,859</u>	<u>\$ 2,291,195</u>
	=====	=====	=====	=====	=====	=====	=====
LIABILITIES AND FUND EQUITY							
LIABILITIES							
Accounts payable	\$ 15,211	\$ 138	\$	\$ 11,717	\$	\$	\$ 27,066
Accrued liabilities	21,996	9,151		2,249			60,255
Due to other funds	1,689	46,565		692		26,859	48,946
Advance from other fund	4,967						4,967
Deferred revenues:							
Taxes	20,822	12,086		4,996			37,904
Other				8,377			8,377
General obligation bonds							
						<u>219,000</u>	<u>219,000</u>
TOTAL LIABILITIES	<u>64,685</u>	<u>67,940</u>		<u>28,031</u>		<u>245,859</u>	<u>406,515</u>
	=====	=====		=====		=====	=====
FUND EQUITY							
Contributed capital				56,560			56,560
Retained earnings:							
Reserved for Daniel Park				823			823
Reserved for recreation				641			641
Unreserved				562,876			562,876
Fund balances:							
Reserved for debt service			320				320
Reserved for prepaid expenses	10,124						10,124
Reserved for inventory		2,882					2,882
Reserved for loans & contingencies							
Reserved for deferred comp					320,803		320,803
Unreserved	<u>287,234</u>	<u>526,849</u>			<u>115,568</u>		<u>814,083</u>
TOTAL FUND EQUITY	<u>297,358</u>	<u>529,731</u>	<u>320</u>	<u>620,900</u>	<u>436,371</u>		<u>1,884,680</u>
	=====	=====	=====	=====	=====		=====
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 362,043</u>	<u>\$ 597,671</u>	<u>\$ 320</u>	<u>\$ 648,931</u>	<u>\$ 436,371</u>	<u>\$ 245,859</u>	<u>\$ 2,291,195</u>
	=====	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of the financial statements

VILLAGE OF LAURIUM, MICHIGAN

EXHIBIT B

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES
Year ended February 29, 2004

	GOVERNMENTAL FUND TYPES			TOTALS (MEMORANDUM ONLY)
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	
REVENUES:				
Taxes	\$ 173,425	\$ 116,705	\$	\$ 290,130
Licenses & permits	308			308
Federal aid	34,290			34,290
State aid	323,155	313,492		636,647
Charges for services	45,317			45,317
Fines & forfeitures	2,514			2,514
Interest & rent	263,024	3,716	2	266,742
Other revenue	90,585	21,376		111,961
TOTAL REVENUES	932,618	455,289	2	1,387,909
EXPENDITURES:				
Legislative	13,769			13,769
General government	60,436	17,590	300	78,326
Public safety	223,657	2,433		226,090
Highways & streets		380,243		380,243
Public works	157,791	10,478		168,269
Parks & recreation	10,856			10,856
Other	339,044			339,044
Capital outlay	39,030	74,273		113,303
Debt service:				
Principal			12,000	12,000
Interest	652		10,687	11,339
TOTAL EXPENDITURES	845,235	485,017	22,987	1,353,239
Excess of revenues over (under) expenditures	87,383	(29,728)	(22,985)	34,670
OTHER FINANCING SOURCES (USES):				
Transfers in	4,560	161,074	23,200	188,834
Transfers out	(17,074)	(180,760)		(197,834)
TOTAL OTHER FINANCING SOURCES (USES)	(12,514)	(19,686)	23,200	(9,000)
Excess of revenues & other sources over (under) expenditures & other uses	74,869	(49,414)	215	25,670
Fund Balances, 2/28/03	222,489	579,145	105	801,739
FUND BALANCES, 2/29/04	\$ 297,358	\$ 529,731	\$ 320	\$ 827,409
	=====	=====	=====	=====

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LAURIUM, MICHIGAN

EXHIBIT C

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - EXPENDABLE TRUST FUND

Year ended February 29, 2004

Deferred Compensation Trust Fund

Revenues:

Contributions

\$ 18,732

Investment income (loss)

15,528

TOTAL REVENUES

34,260

Expenditures:

Asset fees

102

Life insurance

162

TOTAL EXPENDITURES

264

EXCESS OF REVENUES OVER EXPENDITURES

33,996

Fund Balance, February 28, 2003

81,572

FUND BALANCE, FEBRUARY 29, 2004

\$ 115,568

=====

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LAURIUM, MICHIGAN

EXHIBIT D

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

Year ended February 29, 2004

	GENERAL FUND			ANNUALLY BUDGETED SPECIAL REVENUE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:						
TAXES:						
Current & delinquent	\$ 171,100	\$ 168,912	\$ (2,188)	\$ 117,070	\$ 116,705	\$ (365)
Admin. fees & other	4,400	4,513	113			
TOTAL TAXES	175,500	173,425	(2,075)	117,070	116,705	(365)
LICENSES & PERMITS	320	308	(12)			
FEDERAL AID	34,290	34,290				
STATE AID:						
Payment in lieu of taxes	4,800	4,824	24			
State grant		1,340	1,340			
State shared revenue	317,800	316,991	(809)	287,500	313,492	25,992
TOTAL STATE AID	322,600	323,155	555	287,500	313,492	25,992
CHARGES FOR SERVICES	42,200	45,317	3,117			
FINES & FORFEITURES	2,025	2,514	489			
INTEREST & RENT:						
Interest income	500	468	(32)	3,983	3,716	(267)
Rent	249,700	262,556	12,856			
TOTAL INTEREST & RENT	250,200	263,024	12,824	3,983	3,716	(267)
OTHER REVENUE:						
Reimbursements	89,600	90,365	765			
Miscellaneous	220	220		20,900	21,376	476
TOTAL OTHER REVENUE	89,820	90,585	765	20,900	21,376	476
TOTAL REVENUES	916,955	932,618	15,663	429,453	455,289	25,836
EXPENDITURES:						
LEGISLATIVE:						
Village council	16,740	13,769	2,971			
GENERAL GOVERNMENT:						
Clerk	29,000	27,008	1,992			
Treasurer	6,000	5,792	208			
Village hall	23,540	21,809	1,731			
Elections	1,350	787	563			
Administrative	5,200	5,040	160	18,020	17,590	430

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS**

Year ended February 29, 2004

	GENERAL FUND			ANNUALLY BUDGETED SPECIAL REVENUE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTAL GENERAL GOVERNMENT	<u>65,090</u>	<u>60,436</u>	<u>4,654</u>	<u>18,020</u>	<u>17,590</u>	<u>430</u>
PUBLIC SAFETY:						
Fire department	36,515	35,774	741	2,672	2,433	239
Police department	<u>189,610</u>	<u>187,883</u>	<u>1,727</u>			
TOTAL PUBLIC SAFETY	<u>226,125</u>	<u>223,657</u>	<u>2,468</u>	<u>2,672</u>	<u>2,433</u>	<u>239</u>
HIGHWAYS & STREETS				<u>405,250</u>	<u>380,243</u>	<u>25,007</u>
PUBLIC WORKS:						
Garage operations	23,850	22,997	853			
Equipment maintenance	105,150	101,334	3,816	15,000	10,478	4,522
Sidewalks, curbs, alleys	10,600	9,366	1,234			
Lighting	<u>25,000</u>	<u>24,094</u>	<u>906</u>			
TOTAL PUBLIC WORKS	<u>164,600</u>	<u>157,791</u>	<u>6,809</u>	<u>15,000</u>	<u>10,478</u>	<u>4,522</u>
PARKS & RECREATION	<u>11,100</u>	<u>10,856</u>	<u>244</u>			
OTHER:						
Employee benefits	259,550	254,560	4,990			
Insurance	74,700	73,941	759			
Miscellaneous	<u>10,810</u>	<u>10,543</u>	<u>267</u>			
TOTAL OTHER	<u>345,060</u>	<u>339,044</u>	<u>6,016</u>			
CAPITAL OUTLAY:						
Fire department	39,030	39,030				
Public improvements				<u>74,300</u>	<u>74,273</u>	<u>27</u>
TOTAL CAPITAL OUTLAY	<u>39,030</u>	<u>39,030</u>		<u>74,300</u>	<u>74,273</u>	<u>27</u>
DEBT SERVICE:						
Interest	<u>700</u>	<u>652</u>	<u>48</u>			
TOTAL EXPENDITURES	<u>868,445</u>	<u>845,235</u>	<u>23,210</u>	<u>515,242</u>	<u>485,017</u>	<u>30,225</u>
Excess of revenues over (under) expenditures	<u>48,510</u>	<u>87,383</u>	<u>38,873</u>	<u>(85,789)</u>	<u>(29,728)</u>	<u>56,061</u>
OTHER FINANCING SOURCES (USES):						
Transfers in	4,560	4,560		161,074	161,074	
Transfers out	<u>(17,074)</u>	<u>(17,074)</u>		<u>(180,760)</u>	<u>(180,760)</u>	

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS

Year ended February 29, 2004

	GENERAL FUND			ANNUALLY BUDGETED SPECIAL REVENUE FUNDS		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTAL OTHER FINANCING SOURCES (USES)	(12,514)	(12,514)		(19,686)	(19,686)	
Excess of revenues & other sources over (under) expenditures & other uses	35,996	74,869	38,873	(105,475)	(49,414)	56,061
Fund Balances 2/28/03	222,489	222,489		579,145	579,145	
FUND BALANCES 2/29/04	\$ 258,485	\$ 297,358	\$ 38,873	\$ 473,670	\$ 529,731	\$ 56,061

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LAURIUM, MICHIGAN

EXHIBIT E

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS/FUND BALANCES - ALL PROPRIETARY
FUND TYPES AND SIMILAR TRUST FUNDS
Year ended February 29, 2004

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	TOTALS
	ENTERPRISE	NONEXPENDABLE TRUST	(MEMORANDUM ONLY)
OPERATING REVENUES:			
Property taxes	\$ 40,421	\$	\$ 40,421
Charges for services	172,121		172,121
Other operating revenue	9,190		9,190
Interest income		2,688	2,688
TOTAL OPERATING REVENUES	221,732	2,688	224,420
OPERATING EXPENSES:			
Cost of sales	16,394		16,394
Wages & fringe benefits	41,849		41,849
Administration	8,227	680	8,907
Sanitation disposal	58,573		58,573
Utilities	18,174		18,174
Supplies & maintenance	17,081		17,081
Miscellaneous	3,123		3,123
Depreciation	31,946		31,946
TOTAL OPERATING EXPENSES	195,367	680	196,047
OPERATING INCOME (LOSS)	26,365	2,008	28,373
NONOPERATING REVENUES (EXPENSES):			
Special activities (net):			
Daniell Park activities	(1)		(1)
George Gipp Rec. Area activities	(1,613)		(1,613)
Sports activities	(935)		(935)
Total special activities	(2,549)		(2,549)
Transfers in from other funds	9,000		9,000
Contributions	2,955		2,955
Interest income	1,037		1,037
Other expense	(621)		(621)
TOTAL NONOPERATING REVENUES (EXPENSES)	9,822		9,822
NET INCOME (LOSS)	36,187	2,008	38,195
Add back depreciation on assets acquired with contributed capital	2,644		2,644
Decrease in reserve for Daniell Park	(184)		(184)
Increase in reserve for loans & contingencies		(2,008)	(2,008)
INCREASE (DECREASE) IN RETAINED EARNINGS/FUND BALANCE-UNRESERVED	38,647		38,647

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 RETAINED EARNINGS/FUND BALANCES - ALL PROPRIETARY
 FUND TYPES AND SIMILAR TRUST FUNDS
 Year ended February 29, 2004

	<u>PROPRIETARY</u> <u>FUND TYPE</u> <u>ENTERPRISE</u>	<u>FIDUCIARY</u> <u>FUND TYPE</u> <u>NONEXPENDABLE</u> <u>TRUST</u>	<u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
Retained Earnings/Fund Balance - Unreserved - February 28, 2003	<u>524,229</u>	<u> </u>	<u>524,229</u>
RETAINED EARNINGS/FUND BALANCE- UNRESERVED - FEBRUARY 29, 2004	<u>\$ 562,876</u> =====	<u>\$</u> =====	<u>\$ 562,876</u> =====

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LAURIUM, MICHIGAN

EXHIBIT F

COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUNDS
Year ended February 29, 2004

	PROPRIETARY FUND TYPE ENTERPRISE	FIDUCIARY FUND TYPE NONEXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ 26,365	\$ 2,008	\$ 28,373
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	33,793		33,793
Changes in operating assets and liabilities:			
(Increase) decrease in:			
Receivables	(706)	37	(669)
Due from other funds	241		241
Inventory	559		559
Increase (decrease) in:			
Accounts payable	427		427
Accrued liabilities	(75)		(75)
Due to other funds	349		349
Deferred revenues	391		391
Net cash provided (used) by operating activities	61,344	2,045	63,389
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Special activities	(2,549)		(2,549)
Transfers in from other funds	9,000		9,000
Contributions	2,955		2,955
Other expense	(621)		(621)
Net cash provided (used) by noncapital financing activities	8,785		8,785
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Repayments on advance from other fund		21,704	21,704
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income	1,037		1,037
Increase (decrease) in cash	71,166	23,749	94,915
Cash balances, February 28, 2003	138,748	291,947	430,695
CASH BALANCES, FEBRUARY 29, 2004	\$ 209,914 =====	\$ 315,696 =====	\$ 525,610 =====

The accompanying notes are an integral part of the financial statements.

VILLAGE OF LAURIUM, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

February 29, 2004

(1) Summary of Significant Accounting Policies

A. Description of Village Operations

The Village of Laurium was incorporated in 1895. The Village currently operates under an elected seven member council consisting of a president and six trustees. The Village provides services to its residents in many areas including law enforcement, fire protection, street maintenance, sanitation, recreation and community enrichment.

B. Reporting Entity

As required by generally accepted accounting principles (GAAP) and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Village (the primary government) and its component units, when applicable. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Village of Laurium has no component units which need to be presented.

JOINTLY GOVERNED ORGANIZATION AND RELATED ORGANIZATION

The Village, in conjunction with three other governmental entities, created the North Houghton County Water & Sewage Authority (NHCW&SA) to provide waste water collection, transmission and treatment. The NHCW&SA's board is comprised of seven members, two of which are from the Village. The Authority's board has control over its own budgeting and financing obligations. All of the financial operations of the Authority are recorded in the records of the Authority.

It is expected that the revenues generated from NHCW&SA system users will be adequate to operate the sewage system and pay back the related construction debt and interest of NHCW&SA. Separately issued financial statements are available from the Authority.

See note 11 for information pertaining to related organizations.

C. Basis of Presentation

The accounts of the Village are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

The financial activities of the Village are recorded in separate funds and account groups and are categorized as follows:

GOVERNMENTAL FUNDS

General Fund - This fund is used to account for all financial resources except those provided for in another fund. Revenues are primarily derived from property taxes, state aid and rents (state approved rates are charged to the various other funds for equipment rental). The fund includes the general operating expenditures of the Village.

Special Revenue Funds - These funds are used to account for specific revenue (other than expendable trusts or major capital projects) generally derived from State and Federal grants, General Fund appropriations and charges for services, which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements. This fund type includes the Major Street, Local Street, Municipal Street, Public Improvement, Fire Truck and Volunteer Firemen Funds.

Debt Service Funds - This fund is used to record revenues which are restricted for the payment of principal and interest on debt recorded in the general long-term debt account group.

PROPRIETARY FUNDS

Enterprise Funds - These funds account for operations: (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. This fund type includes the Multi-Recreation, Sanitation and Water Funds.

FIDUCIARY FUNDS

Trust and Agency Funds - These funds account for assets held by the Village in a trustee capacity or as an agent on behalf of others. These funds include the Deferred Compensation and Nonexpendable Trust Funds.

The Deferred Compensation Trust Fund is an expendable trust fund used to account for assets held for employees in accordance with the provisions of Internal Revenue Code Section 457.

The Nonexpendable Trust Fund accounts for assets of which the principal may not be spent. This fund accounts for the activity of the former Sewer Fund. The assets in this fund, which represent those assets remaining after the termination of sewer operations and the subsequent sale of its fixed assets, are to remain intact and can be used for emergencies or loaned to other funds for equipment purchases.

ACCOUNT GROUPS

General Fixed Assets Account Group - The Village has not established this Account Group. This Account Group should present the fixed assets of the Village utilized in its operations, other than those accounted for in proprietary and trust funds, and could include, depending on management's policies, assets known collectively as infrastructure - roads, drainage systems and similar assets. Acquisition costs of the above mentioned assets are included as expenditures in the year of purchase.

General Long-Term Debt Account Group - This account group presents the balance of general obligation long-term debt which is not recorded in proprietary and trust funds.

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures (expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. The accounting policies of the Village conform to generally accepted accounting principles as applicable to governmental units.

Governmental Funds

The Governmental Fund Types (General, Special Revenue and Debt Service Funds) use a financial resources measurement focus and are accounted for using the modified accrual basis of accounting. The modified accrual basis of accounting is also used by the Deferred Compensation Trust Fund (an Expendable Trust Fund). Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Current expenditures are generally recorded when the fund liability is incurred, if measurable. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due, and the noncurrent portion of vacation leave, which is recorded in the General Long-Term Debt Account Group.

Proprietary Funds

The Proprietary Funds Types (Enterprise Funds) are accounted for on a cost-of-service or "capital maintenance" measurement focus, using the accrual basis of accounting. The Nonexpendable Trust fund also uses the accrual basis of accounting. The Village applies all GASB pronouncements as well as the FASB pronouncements unless those pronouncements conflict with or contradict GASB pronouncements.

E. Budgets

Budgetary Information

The Village presently follows a budget system which adopts the provisions of Michigan Public Act 621 - Uniform Budgeting and Accounting Act. Annual budgets are adopted by the Council for the General and Special Revenue Funds. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. Budgeted revenues and expenditures, as presented in Exhibit D, include authorized amendments to the original budgets as adopted. Budgets are adopted at the activity level. Appropriations lapse at year end.

F. Cash, Cash Equivalents and Investments

Cash includes amounts in demand deposits and savings deposits as well as cash equivalents. For purposes of the statement of cash flows, demand deposits and short-term investments with maturities of three months or less when acquired are considered to be cash equivalents.

Investments held in the Deferred Compensation Trust Fund are reported at market value.

G. Receivables and Payables

During the course of operations, transactions occur between individual funds. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

All trade and property tax receivables are shown net of any allowance for uncollectibles, where applicable.

H. Property Taxes

The Village's property taxes are levied on July 1 and are payable by September 14 of each year, at which time unpaid balances become delinquent. Delinquent personal property taxes continue to be collected by the Village while the delinquent real property taxes are turned over to the County and collected by them. The County subsequently issues a check for the total delinquent real property taxes due to the Village from their revolving tax fund.

The 2003 state taxable value of the Village totaled \$15,779,532 on which taxes were levied for Village purposes at 19.6779 mills for \$310,508. Of the total mills levied, the General Fund levied 10.8074 mills for general operating purposes, the Sanitation Fund levied 2.5937 mills for garbage removal, the Municipal Street Fund levied 4.3229 mills for street maintenance and .9539 mills for snow removal and the Fire Department levied 1.0000 mill for the purchase of fire apparatus.

I. Inventories

Inventories in the Special Revenue Funds are valued at lower of cost (first-in, first-out) or market. Inventory consists of expendable supplies and material held for consumption. Inventory is charged to operations upon consumption. The Special Revenue Fund equity has been reserved equal to the inventory balance.

J. Fixed Assets

Fixed assets of all funds are stated at historical cost or estimated historical cost if historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Public domain (infrastructure) general fixed assets (i.e. roads, sidewalks and other assets that are immovable and of value only to the Village) are not recorded.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account or capitalized in the proprietary funds.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund fixed assets is reflected in the capitalized value of the asset constructed.

The Village has not recorded all of its fixed assets and related depreciation in the Water Fund (an enterprise fund) as required by generally accepted accounting principles.

Proprietary fund assets are recorded in the respective fund and depreciated using the straight- line method. Estimated useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	10 - 40 years
Water system improvements	35 years
Equipment	3 - 10 years

K. Deferred Revenue

Deferred revenue represents amounts that do not meet the available criteria, such as grants received before the expenditure is incurred.

L. Compensated Absences (Vacation and Sick Leave)

It is the Village's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave since it does not vest. Vacation pay is accrued and reported in the general long-term debt account group. The estimated current portion of the liability for vacation leave attributable to the Village's governmental funds is not significant and therefore a current liability is not recognized. The amounts attributable to proprietary funds are charged to expense and a corresponding liability in the applicable fund. There is no limit on the number of days of vacation leave that an employee can accumulate.

M. Long-Term Debt

Governmental fund type long-term debt obligations expected to be financed from expendable available financial resources are reported as a liability of a governmental fund. The remaining portion of such obligations are reported in the general long- term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. For governmental fund types, long-term debt proceeds are reported as other financing sources in the statement of revenues, expenditures and changes in fund balances.

N. Fund Equity

Contributed capital is recorded in proprietary funds for capital grants or contributions from customers or other funds. Reserves of fund equity represent portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

O. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

P. Risk Management

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. All risk of loss is covered by commercial insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

Q. Total Columns on Combined Statements

The total column on the combined statements is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation because interfund eliminations have not been made in the aggregation of this data.

(2) Deposits and Investments

The Village's deposits and investment are presented on the balance sheet under the following categories:

Cash	\$ 1,183,506
Investments with Deferred Compensation Plan Administrator	<u>115,568</u>
Total	\$ 1,299,074 =====

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village has designated one bank for the deposit of the Village's funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in the state statutory authority as listed above.

The Village retirement system's investments are held in trust by two investment fiduciaries.

The Village's deposits are in accordance with statutory authority. The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

<u>Deposits</u>	<u>Bank Balance</u> <u>Primary</u> <u>Government</u>
Insured (FDIC)	\$ 60,412
Uninsured	<u>1,129,000</u>
Total Deposits	\$ 1,189,412 =====

Amounts in the bank balances are without considering deposits in transit or uncleared checks. At year end, the balance sheet carrying amount of cash was \$1,183,506.

At year end the Village's investment balances were as follows:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Investments not subject to categorization:		
Deferred compensation mutual funds	\$ 115,568 =====	\$ 115,568 =====

(3) Interfund Receivables, Payables and Advances

The amounts of the interfund receivables and payables as of February 29, 2004 are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND PAYABLES</u>
General	\$ 25,546	General	\$ 1,689
Municipal Street	22,609	Major Street	13,500
Fire Truck	113	Local Street	33,065
Sanitation	678	Multi-Recreation	146
		Sanitation	546
Total	\$ 48,946 =====	Total	\$ 48,946 =====

The amounts of advances to/from other funds are as follows:

<u>FUND</u>	<u>ADVANCES TO OTHER FUNDS</u>	<u>FUND</u>	<u>ADVANCES FROM OTHER FUNDS</u>
Nonexpendable Trust	\$ 4,967 =====	General Fund	\$ 4,967 =====

(4) Fixed Assets

The following is a summary of proprietary fund type fixed assets for the Village at February 29, 2004:

	<u>Balance 2-28-03</u>	<u>Net Additions (Deletions)</u>	<u>Balance 2-29-04</u>
Water system improvements & hydrants	\$ 132,075	\$	\$ 132,075
Buildings & land improvements	420,434		420,434
Vehicles & equipment	203,042		203,042
	755,551		755,551
Accumulated depreciation	(317,379)	(33,793)	(351,172)
Net carrying amount	\$ 438,172 =====	\$ (33,793) =====	\$ 404,379 =====

(5) Long-Term Debt

The following is a summary of the Village's long-term debt outstanding as of February 29, 2004:

	<u>Balance</u> <u>2-28-03</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balance</u> <u>2-29-04</u>
General Long-Term Debt Account Group (GLTDAG):			
Vested employee vacation pay payable	\$ 21,665	\$ 5,194	\$ 26,859
General Obligation Bonds:			
\$242,000 2001 Michigan Transportation Fund Bonds acquired by the U.S. Department of Agriculture - Rural Development, due in annual installments ranging from \$12,000 to \$22,000 through April 1, 2016 interest at 4.75%	<u>231,000</u>	<u>(12,000)</u>	<u>219,000</u>
	<u>\$ 252,665</u> =====	<u>\$ (6,806)</u> =====	<u>\$ 245,859</u> =====

The annual principal and interest requirements on the general obligation bonds through maturity is as follows:

<u>Fiscal year end</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	12,000	10,117	22,117
2006	13,000	9,524	22,524
2007	14,000	8,883	22,883
2008	14,000	8,218	22,218
2009	15,000	7,529	22,529
2010 - 2014	88,000	25,745	113,745
2015 - 2017	<u>63,000</u>	<u>4,584</u>	<u>67,584</u>
	<u>\$ 219,000</u> =====	<u>\$ 74,600</u> =====	<u>\$ 293,600</u> =====

(6) Contributed Capital

During the year, contributed capital increased (decreased) by the following amounts:

	<u>Enterprise Fund</u>
Contributed capital February 28, 2003	\$ 59,204
Depreciation on contributed capital assets	<u>(2,644)</u>
Contributed capital February 29, 2004	<u>\$ 56,560</u> =====

(7) Lease Agreement

The water line lease and operating agreement between the Village of Laurium, Michigan and Michigan-American Water Company is dated October 1, 1983. Annual rental is based on 12

½ % of the net revenue generated by Michigan-American Water Company from Village residents. This rental income is recorded in the Water Fund and amounts to \$26,301 for the year ended February 29, 2004.

(8) Interfund Transfers

	Fund Transfers Out						Total
	General	Major Street	Local Street	Municipal Street	Fire Truck	Volunteer Firemen	
Fund Transfers In							
General	\$	\$	\$	\$	\$ 3,810	\$ 750	\$ 4,560
Major Street				60,000			60,000
Local Street		33,000		60,000			93,000
Public Improvement	2,500						2,500
Fire Truck	5,574						5,574
Debt Retirement		6,032	17,168				23,200
Multi-Recreation	9,000						9,000
	<u>\$ 17,074</u>	<u>\$ 39,032</u>	<u>\$ 17,168</u>	<u>\$ 120,000</u>	<u>\$ 3,810</u>	<u>\$ 750</u>	<u>\$ 197,834</u>

(9) Employees Retirement Plan

The Village is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death, duty connected death and post retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit of 80 percent of FAC. Final average compensation is averaged over 3 years instead of 5 years. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

All permanent employees of the Village are eligible to participate in the plan upon working at least 10 full work days in a given month. As of December 31, 2003, the most recent report available, the Village had 12 active covered employees, 2 inactive vested members and 13 retirees and beneficiaries. The annual covered payroll at that date totaled \$358,137 and the Village's total payroll for all employees was \$420,196.

Under the provisions of the plan, pension benefits vest after 10 years of service. Participants may elect normal retirement at age 60 with 10 or more years of service or early retirement at age 55 with 15 or more years of service, and at age 50 with 25 or more years of service.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Village's competitive bargaining unit and personnel policy, which does not require employees to contribute to the plan. The Village is required to contribute at an actuarially determined rate; the current rate was 11.59 percent for the police department and 15.97 percent for general participants at December 31, 2003.

Annual Pension Cost

During the calendar year ended December 31, 2003, the Village's contributions totaling \$54,162 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal cost method. Under the entry age normal cost method, the total actuarially-determined contribution requirement is equal to the sum of the normal cost and the payment required to fund the unfunded actuarial accrued liability over a period of years. Funding or amortizing the unfunded actuarial accrued liability includes a payment towards the liability (principal) plus a payment to reflect the time value of money (interest). Significant actuarial assumptions used include (a) a long-term investment yield rate of 8 percent and (b) annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information

	Fiscal year ended December 31		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
Annual Pension Cost (APC)	\$ 45,275	\$ 39,096	\$ 54,162
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	0	0	0
Actuarial Value of Assets	748,037	754,440	815,433
Actuarial Accrued Liability (AAL)	1,043,769	1,162,390	1,208,328
Unfunded AAL	295,732	407,950	392,895
Funded Ratio	72%	65%	67%
Covered Payroll	346,881	354,152	358,137
UAAL as a Percentage of Covered Payroll	85%	115%	110%

GASB 27 INFORMATION (as of 12/31/03)

Fiscal Year Beginning	March 1, 2005
Annual Required Contribution (ARC)	\$49,344*
Amortization Factor Used	0.053632

* Based on valuation payroll, but the actual required contribution will be based on current monthly payroll (during the fiscal year beginning March 1, 2005) times the computed employer contribution rate(s).

(10) Deferred Compensation Plan

The Village of Laurium offers all Village employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan are held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The administrators are agents of the employer for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters.

The assets of the Deferred Compensation Fund are in a trust and are reported in the expendable trust fund, in accordance with GASB Statement No. 32 requirements.

(11) Related Organizations

Laurium Housing Commission

The Laurium Housing Commission is a related organization which is excluded from the financial reporting entity because the Village's accountability does not extend beyond making appointments. The Laurium Housing Commission provides low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development. The Village has no influence over the management, budget or policies of the Commission. The Commission reports independently and a copy of its audited financial statement is available from them.

Village of Laurium Hospital Finance Authority

The Village has established, as a legal separate organization, the Village of Laurium Hospital Finance Authority to allow the Keweenaw Memorial Medical Center to obtain financing at a lower rate than it could without going through the Authority. The Authority is governed by a three person Board who are appointed by the Village. The Village's accountability does not extend beyond this representation and making these appointments. The Board adopts rules, policies and procedures deemed necessary for the conduct of its business.

(12) Commitment and Contingencies

The Village receives Federal and State grants for specific purposes that are subject to review and audit by Federal and State agencies. Such audits could result in a request for reimbursement by the Federal and State agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Village management, such disallowance, if any, will not be significant to the Village's financial statements.

(13) Segment Information - Enterprise Funds

The Village maintains three separate Enterprise Funds: the Multi-Recreation, Sanitation, and Water Funds which provide recreation, sanitation and water services respectively. Selected segment information for the year ended February 29, 2004, is as follows:

	Multi- Recreation Fund	Sanitation Fund	Water Fund	Total
Operating revenues	\$ 44,636	\$ 139,747	\$ 37,349	\$ 221,732
Depreciation	14,650	15,369	3,774	33,793
Operating income (loss)	(5,516)	10,348	21,533	26,365
Property tax revenues		40,421		40,421
Net income (loss)	3,300	11,063	21,824	36,187
Net working capital	20,020	127,017	69,484	216,521
Total assets	208,597	253,013	187,321	648,931
Retained earnings	143,095	233,924	187,321	564,340
Contributed capital	56,560			56,560

SUPPLEMENTARY FINANCIAL INFORMATION

COMBINING FINANCIAL STATEMENTS

VILLAGE OF LAURIUM, MICHIGAN

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS

February 29, 2004

	MAJOR STREET	LOCAL STREET	MUNICIPAL STREET	PUBLIC IMPROVEMENT	FIRE TRUCK	VOLUNTEER FIREMEN	TOTALS
ASSETS							
Cash	\$ 5,066	\$ 33,940	\$ 249,419	\$ 101,751	\$ 16,716	\$ 6,854	\$ 413,746
Receivables (net):							
Current tax levy			9,258		1,754		11,012
Delinquent taxes			908		166		1,074
Interest	40	12	154	45	6		257
Due from state	85,389	60,589					145,978
Due from other funds			22,609		113		22,722
Inventory			2,882				2,882
TOTAL ASSETS	\$ 90,495	\$ 94,541	\$ 285,230	\$ 101,796	\$ 18,755	\$ 6,854	\$ 597,671
	=====	=====	=====	=====	=====	=====	=====
LIABILITIES AND FUND BALANCE							
LIABILITIES							
Accounts payable	\$ 138	\$	\$	\$	\$	\$	\$ 138
Accrued liabilities	5,373	3,778					9,151
Due to other funds	13,500	33,065					46,565
Deferred revenues - taxes			10,166		1,920		12,086
TOTAL LIABILITIES	19,011	36,843	10,166		1,920		67,940
	=====	=====	=====	=====	=====	=====	=====
FUND BALANCE							
Reserved for inventory			2,882				2,882
Unreserved	71,484	57,698	272,182	101,796	16,835	6,854	526,849
TOTAL FUND BALANCE	71,484	57,698	275,064	101,796	16,835	6,854	529,731
	=====	=====	=====	=====	=====	=====	=====
TOTAL LIABILITIES & FUND BALANCE	\$ 90,495	\$ 94,541	\$ 285,230	\$ 101,796	\$ 18,755	\$ 6,854	\$ 597,671
	=====	=====	=====	=====	=====	=====	=====

VILLAGE OF LAURIUM, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - ALL SPECIAL REVENUE FUNDS

Year ended February 29, 2004

	MAJOR STREET	LOCAL STREET	MUNICIPAL STREET	PUBLIC IMPROVEMENT	FIRE TRUCK	VOLUNTEER FIREMEN	TOTALS
REVENUES:							
Taxes	\$	\$	\$ 101,186	\$	\$ 15,519	\$	\$ 116,705
State aid	214,295	99,197					313,492
Interest	552	238	1,938	921	40	27	3,716
Other revenue				7,482	10,500	3,394	21,376
TOTAL REVENUES	<u>214,847</u>	<u>99,435</u>	<u>103,124</u>	<u>8,403</u>	<u>26,059</u>	<u>3,421</u>	<u>455,289</u>
EXPENDITURES:							
General government	9,295	6,245	1,230	820			17,590
Public safety:							
Fire department					171	2,262	2,433
Highways & streets	218,708	161,535					380,243
Public works				10,478			10,478
Capital outlay				74,273			74,273
TOTAL EXPENDITURES	<u>228,003</u>	<u>167,780</u>	<u>1,230</u>	<u>85,571</u>	<u>171</u>	<u>2,262</u>	<u>485,017</u>
Excess of revenues over (under) expenditures	<u>(13,156)</u>	<u>(68,345)</u>	<u>101,894</u>	<u>(77,168)</u>	<u>25,888</u>	<u>1,159</u>	<u>(29,728)</u>
OTHER FINANCING SOURCES (USES):							
Transfers in	60,000	93,000		2,500	5,574		161,074
Transfers out	(39,032)	(17,168)	(120,000)		(3,810)	(750)	(180,760)
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,968</u>	<u>75,832</u>	<u>(120,000)</u>	<u>2,500</u>	<u>1,764</u>	<u>(750)</u>	<u>(19,686)</u>
Excess of revenues & other sources over (under) expenditures & other uses	7,812	7,487	(18,106)	(74,668)	27,652	409	(49,414)
Fund Balances, 2/28/03	<u>63,672</u>	<u>50,211</u>	<u>293,170</u>	<u>176,464</u>	<u>(10,817)</u>	<u>6,445</u>	<u>579,145</u>
FUND BALANCES, 2/29/04	<u>\$ 71,484</u>	<u>\$ 57,698</u>	<u>\$ 275,064</u>	<u>\$ 101,796</u>	<u>\$ 16,835</u>	<u>\$ 6,854</u>	<u>\$ 529,731</u>

VILLAGE OF LAURIUM, MICHIGAN

COMBINING BALANCE SHEET - ALL ENTERPRISE FUNDS

February 29, 2004

	<u>MULTI- RECREATION</u>	<u>SANITATION</u>	<u>WATER</u>	<u>TOTALS</u>
<u>ASSETS</u>				
Current Assets				
Cash	\$ 20,020	\$ 124,698	\$ 65,196	\$ 209,914
Receivables (net):				
Current tax levy		4,550		4,550
Delinquent taxes		445		445
Accounts	7,596	15,098	4,259	26,953
Interest	5	62	29	96
Due from other funds		678		678
Inventory	<u>1,341</u>	<u>575</u>		<u>1,916</u>
Total Current Assets	28,962	146,106	69,484	244,552
Fixed Assets (net)	<u>179,635</u>	<u>106,907</u>	<u>117,837</u>	<u>404,379</u>
TOTAL ASSETS	\$ 208,597 =====	\$ 253,013 =====	\$ 187,321 =====	\$ 648,931 =====
<u>LIABILITIES AND FUND EQUITY</u>				
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ 7,640	\$ 4,077	\$	\$ 11,717
Accrued liabilities	1,156	1,093		2,249
Due to other funds	146	546		692
Deferred revenues:				
Taxes		4,996		4,996
Other		<u>8,377</u>		<u>8,377</u>
Total Current Liabilities	<u>8,942</u>	<u>19,089</u>		<u>28,031</u>
<u>FUND EQUITY</u>				
Contributed capital	56,560			56,560
Retained earnings:				
Reserved for Daniel Park	823			823
Reserved for recreation	641			641
Unreserved	<u>141,631</u>	<u>233,924</u>	<u>187,321</u>	<u>562,876</u>
Total Fund Equity	<u>199,655</u>	<u>233,924</u>	<u>187,321</u>	<u>620,900</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ 208,597 =====	\$ 253,013 =====	\$ 187,321 =====	\$ 648,931 =====

VILLAGE OF LAURIUM, MICHIGAN

**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - ALL ENTERPRISE FUNDS**

Year ended February 29, 2004

	<u>MULTI- RECREATION</u>	<u>SANITATION</u>	<u>WATER</u>	<u>TOTALS</u>
OPERATING REVENUES:				
Property taxes	\$	\$ 40,421	\$	\$ 40,421
Charges for services	36,068	98,704	37,349	172,121
Other operating revenue	<u>8,568</u>	<u>622</u>		<u>9,190</u>
TOTAL OPERATING REVENUES	<u>44,636</u>	<u>139,747</u>	<u>37,349</u>	<u>221,732</u>
OPERATING EXPENSES:				
Cost of sales	5,347		11,047	16,394
Wages & fringe benefits	9,413	32,436		41,849
Administration		7,232	995	8,227
Sanitation disposal	180	58,393		58,573
Utilities	18,174			18,174
Supplies & maintenance	3,980	13,101		17,081
Miscellaneous	255	2,868		3,123
Depreciation	<u>12,803</u>	<u>15,369</u>	<u>3,774</u>	<u>31,946</u>
TOTAL OPERATING EXPENSES	<u>50,152</u>	<u>129,399</u>	<u>15,816</u>	<u>195,367</u>
OPERATING INCOME (LOSS)	<u>(5,516)</u>	<u>10,348</u>	<u>21,533</u>	<u>26,365</u>
NONOPERATING REVENUES (EXPENSES)				
Special activities (net):				
Daniell Park activities	(1)			(1)
George Gipp Rec. Area activities	(1,613)			(1,613)
Sports activities	<u>(935)</u>			<u>(935)</u>
Total special activities	<u>(2,549)</u>			<u>(2,549)</u>
Transfers in from other funds	9,000			9,000
Contributions	2,955			2,955
Interest income	31	715	291	1,037
Other expense	<u>(621)</u>			<u>(621)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>8,816</u>	<u>715</u>	<u>291</u>	<u>9,822</u>
NET INCOME (LOSS)	3,300	11,063	21,824	36,187
Add back depreciation on assets acquired with contributed capital	2,644			2,644
Increase in reserve for Daniell Park	<u>(184)</u>			<u>(184)</u>
INCREASE (DECREASE) IN RETAINED EARNINGS - UNRESERVED	5,760	11,063	21,824	38,647
Retained Earnings - Unreserved 2/28/03	<u>135,871</u>	<u>222,861</u>	<u>165,497</u>	<u>524,229</u>
RETAINED EARNINGS - UNRESERVED 2/29/04	<u>\$ 141,631</u>	<u>\$ 233,924</u>	<u>\$ 187,321</u>	<u>\$ 562,876</u>

VILLAGE OF LAURIUM, MICHIGAN

COMBINING STATEMENT OF CASH FLOWS -
ALL ENTERPRISE FUNDS

Year ended February 29, 2004

	<u>MULTI- RECREATION</u>	<u>SANITATION</u>	<u>WATER</u>	<u>TOTALS</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating income (loss)	\$ (5,516)	\$ 10,348	\$ 21,533	\$ 26,365
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	14,650	15,369	3,774	33,793
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Receivables	(1,172)	(583)	1,049	(706)
Due from other funds		241		241
Inventory	(17)	576		559
Increase (decrease) in:				
Accounts payable	162	265		427
Accrued liabilities	(32)	(43)		(75)
Due to other funds	(164)	546	(33)	349
Deferred revenues		391		391
Net cash provided (used) by operating activities	<u>7,911</u>	<u>27,110</u>	<u>26,323</u>	<u>61,344</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Special activities	(2,549)			(2,549)
Transfers in from other funds	9,000			9,000
Contributions	2,955			2,955
Other expense	(621)			(621)
Net cash provided (used) by noncapital financing activities	<u>8,785</u>			<u>8,785</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest income	<u>31</u>	<u>715</u>	<u>291</u>	<u>1,037</u>
Increase (decrease) in cash	16,727	27,825	26,614	71,166
Cash balances, February 28, 2003	<u>3,293</u>	<u>96,873</u>	<u>38,582</u>	<u>138,748</u>
CASH BALANCES, FEBRUARY 29, 2004	<u>\$ 20,020</u>	<u>\$ 124,698</u>	<u>\$ 65,196</u>	<u>\$ 209,914</u>

VILLAGE OF LAURIUM, MICHIGAN

COMBINING BALANCE SHEET - ALL TRUST AND AGENCY FUNDS

February 29, 2004

	EXPENDABLE TRUST Deferred Compensation	NONEXPENDABLE TRUST	Totals
<u>ASSETS</u>			
Cash	\$	\$ 315,696	\$ 315,696
Investments	115,568		115,568
Interest receivable		140	140
Advance to other funds		4,967	4,967
TOTAL ASSETS	\$ 115,568 =====	\$ 320,803 =====	\$ 436,371 =====
<u>LIABILITIES & FUND BALANCE</u>			
<u>LIABILITIES</u>	\$	\$	\$
<u>FUND BALANCE</u>			
Reserved for loans & contingencies		320,803	320,803
Reserved for deferred compensation	115,568		115,568
TOTAL LIABILITIES AND FUND BALANCES	\$ 115,568 =====	\$ 320,803 =====	\$ 436,371 =====

FEDERAL PROGRAMS

VILLAGE OF LAURIUM, MICHIGAN

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council
Village of Laurium, Michigan

I have audited the general purpose financial statements of the Village of Laurium, Michigan as of and for the year ended February 29, 2004, and have issued my report thereon dated August 13, 2004. In my report, my opinion was qualified because the procedures used to collect cash receipts from sales and admissions at fund raising events, and the lack of evidential matter with respect to those cash receipts, did not permit me to apply auditing procedures to satisfy myself as to the reasonableness of such cash receipts stated in the accompanying financial statements. In addition, the general purpose financial statements do not include the General Fixed Assets Account Group and all of the fixed assets and related depreciation of the Water Fund (an enterprise fund). I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Laurium, Michigan's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of noncompliance, which I have reported to the management of the Village of Laurium, Michigan in a separate letter dated August 13, 2004.

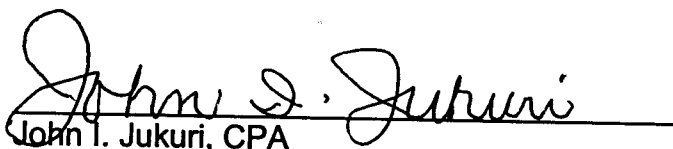
Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Laurium, Michigan's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, I noted a certain matter involving the internal control over financial reporting and its operation that I consider to be a reportable condition, which is described below.

Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the Village of Laurium, Michigan's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that the reportable condition described above is not a material weakness. I also noted other matters involving the internal control over financial reporting, which I have reported to the management of the Village of Laurium, Michigan in a separate letter dated August 13, 2004.

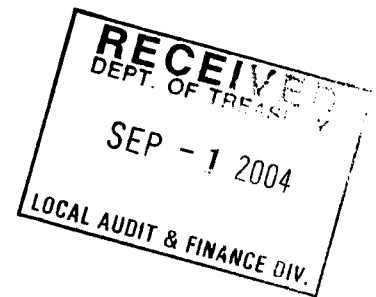
This report is intended solely for the information and use of the council membership, management, and applicable federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.


John I. Jukuri, CPA

Calumet, Michigan
August 13, 2004

JOHN I. JUKURI
CERTIFIED PUBLIC ACCOUNTANT
56730 Calumet Avenue, Suite J
Calumet, Michigan 49913
Tel. (906) 337-0662 Fax (906) 337-2587

August 13, 2004



Council Members
Village of Laurium, Michigan

In planning and performing my audit of the general purpose financial statements of the Village of Laurium, Michigan for the year ended February 29, 2004, I considered its internal control in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control. I noted certain matters involving the internal control and its operation and other items that came to my attention in the normal conduct of my audit that are presented to assist in improving accounting procedures and controls.

Reportable Conditions/Noncompliance

1. The size of the Village's accounting and administrative staff precludes certain internal controls that would be preferred if it were large enough to provide optimum segregation of duties. This dictates that the Village Council remain involved in the financial affairs of the Village to provide oversight and independent review functions. This includes:
 - a. The oversight of financial activities at the George Gipp Arena and Daniell Park.
 - b. The adoption of a conflict of interest policy.
 - c. The adoption of a fixed asset capitalization policy.

Other

2. The Village does not maintain a general fixed asset account group for its nonproprietary fund types. I recommend that this account group be established in accordance with generally accepted accounting principles. The Village may experience difficulty in acquiring certain cost information when establishing initial property records, however, GASB Cod. sec. 1400.112 permits the use of estimated costs.

This report is intended for the information and use of the Council membership and applicable Federal and State agencies. I will be pleased to discuss any of the comments with you at your convenience and I am willing to provide the necessary assistance to implement any of the above items.

Sincerely,

A handwritten signature in cursive script that reads "John I. Jukuri, CPA".
John I. Jukuri, CPA